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## Russian Federation

**Post:** Moscow

### Russia Legalizes Term “Disadvantaged Areas” for Agricultural Production

**Report Categories:**

Agricultural Situation

Trade Policy Monitoring

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**Report Highlights:**

Russia has legalized the term “disadvantaged areas for agricultural production” via Federal Law No. 236-FZ of July 23, 2013, titled: On Amendments to Article 7 of the Federal Law “On Development of Agriculture.” Federal Law 236-FZ shall enter into force one hundred and eighty days after the date of its official publication. The law will allow the Government of the Russian Federation to develop the list of “disadvantaged areas for agricultural production,” and to categorize the state support for farmers in these territories as “green box.”

**General Information:**

Russia has legalized the term “disadvantaged areas for agricultural production” via Federal Law No. 236-FZ of July 23, 2013, titled: On Amendments to Article 7 of the Federal Law “On Development of Agriculture.” Federal Law No. 236-FZ was published on June 26, 2013, and shall enter into force one hundred and eighty days after the date of its official publication. The text of Federal Law No. 236-FZ can be found online at: <http://www.rg.ru/2013/07/26/selhoz-dok.html>. The unofficial translation of Federal Law No. 236-FZ is also included herein in Annex 1.

The World Trade Organization (WTO) Agreement on Agriculture permits Members to classify budget support for farmers in “disadvantaged areas for agricultural production” as “green box.”<sup>[1]</sup> Thus, legalization in Russia of the term “disadvantaged areas for agricultural production” will allow the Russian government to increase support to agricultural producers in these areas (territories) beyond Russia’s WTO “amber box” commitments. The Federal Law No. 236-FZ outlines the general criteria for listing areas as disadvantaged, such as climate, soil conditions, geographical location, and social-economic factors. These criteria do not include crops yields or farm productivity. For implementation of the Federal Law No. 236-FZ the Government of the Russian Federation will develop criteria for areas disadvantaged for agriculture and publish the list of such territories. According to Russian media reports, the list will be updated every three years.

Ms. Nadezhda Shkolina, Deputy Head of the Agrarian Committee of the State Duma, Russia’s main legislative body, reported to Russian mass media that such a list has already been prepared, and that 60 Russian provinces may be acknowledged as unfavorable for agriculture.<sup>[2]</sup> However, this draft has not yet been made available to public.

**History of the Issue:**

On November 15, 2012, the Russian Ministry of Agriculture published a draft Government Resolution on criteria of “territories unfavorable for agricultural production” on its web-site. However, at present the document is no longer available online for the public.

The Ministry of Agriculture proposed the following:

1. The following criteria will be used to rank provinces as “unfavorable for agricultural production”:
  - a. the coefficient of bioclimatic potential;
  - b. the value of agricultural land, in Russian rubles per hectare;
  - c. the density of car-roads, in kilometers (km) per 10,000 square km;
  - d. an index of the total rural population, as a percentage;
  - e. the level of unemployment, as a percentage;
  - f. the ratio of average per capita disposable resources of rural households to the subsistence minimum per capita, determined for the relevant subject of the Russian Federation, as a percentage.
2. All provinces are ranked by each of the above criteria.
3. The integral index for each province is calculated by a special formula based on the rankings.

The province is considered as unfavorable for agricultural production if the value of the integral index of the province is less than the calculated average index for the Russian Federation.

The provincial authorities will also identify unfavorable regions within “unfavorable” provinces, and may add other criteria, such as distance from the place of processing and marketing of agricultural products, environment, etc.

Numerical values for these parameters will be determined on the basis of data from the Russian State Statistical Service (Rosstat), the Russian Register, and the Russian Hydro-meteorological Service (RosHydroMet).

The Ministry of Agriculture’s draft of November 15, 2012, previously identified 41 provinces of the Russian Federation as “unfavorable for agriculture”, including:

- One province from the Central Federal District;
- Seven provinces from the North-West Federal District;
- Two provinces in the Southern Federal District;
- Two provinces in the North Caucasus Federal District;
- Five provinces in the Volga Valley Federal District;
- Five provinces in the Ural Federal District;
- Ten provinces from the Siberia Federal District;
- All nine provinces of the Far East Federal District.

According to approximate calculations, the provinces listed in the draft proposal of the Ministry of Agriculture included 33 percent of Russia’s area sown with agricultural crops and 39 percent of Russia’s rural population. In 2012, farms in these territories produced 32 percent of Russia’s agricultural products.

Considering the aforementioned report by Ms. Shkolnikina, the proposed list of territories identified as unfavorable for agricultural production has increased since November 2012 from 41 to 60 (of the total 83 provinces of the Russian Federation).

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<sup>[1]</sup> WTO Agreement on Agriculture, Annex 2 “DOMESTIC SUPPORT: THE BASIS FOR EXEMPTION FROM THE REDUCTION COMMITMENTS”, paragraph 13 “Payments under regional assistance programs”, subparagraph a) reads as following: Eligibility for such payments shall be limited to producers in disadvantaged regions. Each such region must be a clearly designated contiguous geographical area with a definable economic and administrative identity, considered as disadvantaged on the basis of neutral and objective criteria clearly spelt out in law or regulation and indicating that the region's difficulties arise out of more than temporary circumstances.

<sup>[2]</sup> Source: reference to Interfax news on <http://www.fruit-inform.com/ru/news/154789>.

## **Annex 1**

BEGIN UNOFFICIAL TRANSLATION:

Federal Law of the Russian Federation  
"On Amending Article 7 of the Federal Law" On the Development of Agriculture"  
dated 23 July 2013 N 236-FZ

Adopted by the State Duma on July 2, 2013

Approved by the Federation Council on July 10, 2013

### Article 1

To amend Part 1 of Article 7 of the Federal Law No 264-FZ of December 29, 2006 "On the Development of Agriculture" (Collection of Legislation of the Russian Federation, 2007, No 1, Art. 27; 2011, No 31, art. 4700) by adding paragraph 12, as follows:

"... 12) support of agricultural producers engaged in the production of agricultural products on the territories disadvantaged for such production. Federal law recognizes a territory disadvantaged for agricultural production as those territories within the subject of the Russian Federation or the territories of the subjects of the Russian Federation where the level of income of agricultural producers is lower than the average for agriculture as a result of climatic conditions, soil conditions as well as socio-economic factors, but agricultural production must be carried out to ensure the employment of the rural population, raising the level of income, preservation of local traditions. Procedure and criteria for classifying areas as unfavorable for agricultural production is established by the Government of the Russian Federation."

### Article 2

This Federal Law shall enter into force one hundred and eighty days after the date of its official publication.

President  
of the Russian Federation  
Moscow, Kremlin  
July 23, 2013  
No. 236-FZ

Putin

END UNOFFICIAL TRANSLATION.